102d Congress, 1st Session - - - - - - - - - - - House Document 102-32

LOW-GROWTH REPORT

COMMUNICATION

FROM

THE DIRECTOR, THE CONGRESSIONAL BUDGET OFFICE

TRANSMITTING

NOTIFICATION THAT CBO AND OMB PROJECT REAL ECONOMIC GROWTH TO BE LESS THAN ZERO WITH RESPECT TO THE LAST QUARTER OF CALENDAR YEAR 1990 AND THE FIRST QUARTER OF CALENDAR YEAR 1991, PURSUANT TO 2 U.S.C. 904(j).

JANUARY 23, 1991.—Referred jointly to the Committee on Rules and Government Operations, and ordered to be printed

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CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Robert D. Reischauer
Director

R04350
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January 23, 1991

The Honorable Thomas S. Foley
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Under section 254(j) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 904(j)), the Congressional Budget Office must notify the Congress in the event of an economic downturn. The section reads in part:

> ~~(j) LOW-GROWTH~~ REPORT.-At any time, CBO shall notify the Congress if-
>
> (1) during the period consisting of the quarter during which such notification is given, the quarter preceding such notification, and the 4 quarters following such notification, CBO or OMB has determined that real economic growth is projected or estimated to be less than zero with respect to each of any 2 consecutive quarters within such period....

This letter serves to notify the Congress that the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) project real economic growth to be less than zero with respect to the last quarter of calendar year 1990 and the first quarter of calendar year 1991. A letter from the Director of OMB informing CBO of the OMB forecast is enclosed.

Sincerely,

Robert D. Reischauer

Enclosure

cc: Honorable Richard A. Gephardt
Majority Leader

Honorable Robert H. Michel
Republican Leader

Honorable Leon E. Panetta
Chairman, House Committee on the Budget

Honorable Willis D. Gradison, Jr.
House Committee on the Budget

IDENTICAL LETTER SENT TO: Honorable Dan Quayle, President of the Senate

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

January 15, 1991

Robert D. Reischauer
Director
Congressional Budget Office
Washington, D.C. 20515

Dear Bob:

The Balanced Budget and Emergency Deficit Control Act (Section 254(j)) requires the Congressional Budget Office (CBO) to notify Congress if "CBO or OMB has determined" that real economic growth is estimated to be less than zero for two consecutive quarters within a specified period.

Our staffs have, as is our custom, exchanged economic forecasts, including forecasts of real economic growth. In our case, we have provided you with the latest draft of the "Troika's" forecast -- for it is that which we are using in developing our FY '92 budget estimates. It is clear from our staff exchange that both CBO and the Administration are about to forecast real growth of less than zero for the fourth quarter of 1990 and the first quarter of 1991. (The Troika estimate assumes a decline in real economic growth of 3.4 percent for the fourth quarter of 1990 and 1.3 percent for the first quarter of 1991.)

When either the CBO or the OMB forecasts are officially made public, the issue of CBO notification to Congress under Section 254(j) will arise. It is my understanding that you now plan to release your forecast on or about January 17th. Rather than create the possibility of separate CBO notifications for the CBO and OMB determinations, we recommend that when CBO notifies Congress of its forecast, it simultaneously notify Congress of the OMB determination.

To that end, when you decide to release the CBO forecast, please allow this letter to serve to advise you officially that "OMB has determined that real economic growth is projected or estimated to be less than zero with respect to each of any two consecutive quarters within" the period designated in section 254(j). We propose that CBO include this letter in its notification to Congress pursuant to Section 254(j).

With best regards,

Richard G. Darman
Director